



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

<b>Bill #</b>	HB0790	<b>Title:</b>	Revise unemployment insurance contribution rates & admin. assessments
<b>Primary Sponsor:</b>	Jones, Llew	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<b>Expenditures:</b>				
State Special Revenue	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
State Special Revenue	\$1,141,607	\$3,972,670	\$4,380,121	\$4,659,896
Other - UI Trust Fund	(\$5,030,762)	(\$15,185,220)	(\$16,358,206)	(\$17,455,687)
<b>Net Impact-General Fund Balance</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### Description of Fiscal Impact:

HB 790 decreases State Unemployment Tax (SUTA) rate schedules by .25%, lowering the average tax rate from 1.37% to 1.12%. It increases the Employer Security Account (ESA) tax rates by .05% for experience rated private employers, .04% for governmental experience rated employers, and .03% for reimbursable employers to generate additional revenues to be used for administration of the Unemployment Insurance program.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Labor and Industry**

- HB790 increases the administrative assessment referenced in §39-51-404(4), MCA, by 0.05% (to 0.18%) of all taxable wages paid by private experience rated employers assigned a contributions rate (39-51-1123, MCA) except rate classes 1 and 2, schedule 1, and rate class 1, schedule 2. The administrative assessment for rate classes 1 and 2, schedule 1, and rate class 1, schedule 2, remains unchanged at 0.13%.

2. The bill increases the assessment by 0.05% (to 0.18%) of all taxable wages paid by employers assigned an industry rate (§39-51-1217(4), MCA).
3. The bill increases the assessment by 0.03% (to 0.08%) of total wages paid by private non-profit and governmental reimbursable employers referenced in §39-51-1124, MCA.
4. The bill increases the assessment by 0.04% (to 0.09%) of total wages paid by governmental experience rated employers referenced in §39-51-1212, MCA.
5. The bill decreases the schedules of contribution rates for private experience rated employers by 0.25%. The schedules are located at §39-51-1218, MCA. It decreases the minimum rate of contributions by 0.04% for governmental experience rated employers referenced in §39-51-1212(4), MCA.
6. The administrative assessment will take effect on January 1, 2008 (FY 2008) for experienced rated private employers (except rate class 1 and 2, schedule 1, and rate class 1, schedule 2 employers who will see no change) and for all reimbursable employers. The first collections related to the January 1, 2008 assessment effective date will occur after April 2008.
7. The administrative assessment will take effect on July 1, 2008 (FY 2009) for governmental experienced rated employers. The first collections related to the July 1, 2008 assessment effective date will occur after October, 2008.
8. The increased administrative assessment will generate an estimated \$989,318 in FY 2008 from experience rated private employers based upon projected taxable wages of \$1.98 billion (adjusted for January 1, 2008 effective date). The increased administrative assessment will generate an estimated \$2,895,608 in FY 2009 from experience rated private employers based upon projected taxable wages of \$5.791 billion. The increased administrative assessment will generate an estimated \$3,092,072 in FY 2010 from experience rated private employers based upon projected taxable wages of \$6.184 billion. The increased administrative assessment will generate an estimated \$3,301,866 in FY 2011 from experience rated private employers based upon projected taxable wages of \$6.604 billion.
9. The increased administrative assessment will generate an estimated \$152,289 in FY 2008 from nonprofit and state and local governmental reimbursable employers based upon projected taxable wages of \$508 million (adjusted for January 1, 2008 effective date). The increased administrative assessment will generate an estimated \$616,247 in FY 2009 from nonprofit state and local governmental reimbursable employers based upon projected taxable wages of \$2.054 billion. The increased administrative assessment will generate an estimated \$653,286 in FY 2010 from nonprofit state and local governmental reimbursable employers based upon projected taxable wages of \$2.178 billion. The increased administrative assessment will generate an estimated \$692,607 in FY 2011 from nonprofit state and local governmental reimbursable employers based upon projected taxable wages of \$2.309 billion.
10. The increased administrative assessment will generate an estimated \$460,815 from governmental experience rated employers in FY 2009 based upon projected taxable wages of \$1.152 billion. The increased administrative assessment will generate an estimated \$634,763 from governmental experience rated employers in FY 2010 based upon projected taxable wages of \$1.587 billion. The increased administrative assessment will generate an estimated \$665,423 from governmental experience rated employers in FY 2011 based upon projected taxable wages of \$1.664 billion.
11. Total increased revenues for FY 2008 are estimated at \$1,141,607 (\$989,318 + \$152,289).
12. Total increased revenues for FY 2009 are estimated at \$3,972,670 (\$2,895,608 + \$616,247 + \$460,815).
13. Total increased revenues for FY 2010 are estimated at \$4,380,121 (\$3,092,072 + \$653,286 + \$634,763).
14. Total increased revenues for FY 2011 are estimated at \$4,659,896 (\$3,301,866 + \$692,607 + \$665,423).
15. The contribution rate decrease for experience rated employers will reduce taxes payable to the Unemployment Insurance Trust Fund by \$5,030,762 in FY 2008, \$14,724,405 in FY 2009, \$15,723,443 in FY 2010 and \$16,790,264 in FY 2011.
16. The contribution rate decrease for governmental experience rated employers will reduce taxes payable to the Unemployment Insurance Trust Fund by \$460,815 in FY 2009, \$634,763 in FY 2010 and \$665,423 in FY 2011.

17. Total reduction of taxes payable to the Unemployment Insurance Trust Fund is estimated to be \$5,030,762 in FY 2008, \$15,185,220 (\$14,724,405 + \$460,815) in FY 2009, \$16,358,206 (\$15,723,443 + \$634,763) in FY 2010, and \$17,455,687 (\$16,790,264 + \$665,423) in FY 2011.
18. The projected taxable wages referred to in Assumptions 8 thru 10 are based upon FY 2005 data adjusted for projected growth rates, calculated by the Bureau of Business and Economic Research of the University of Montana – Missoula.

**Department of Labor and Industry****Expenditures:**

Total Expenditures	\$0	\$0	\$0	\$0
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**Funding of Expenditures:**

Total Expenditures	\$0	\$0	\$0	\$0
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**Revenues:**

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02258)	\$1,141,607	\$3,972,670	\$4,380,121	\$4,659,896
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other - Trust Fund (06069)	(\$5,030,762)	(\$15,185,220)	(\$16,358,206)	(\$17,455,687)
<b>TOTAL Revenues</b>	<b>(\$3,889,155)</b>	<b>(\$11,212,550)</b>	<b>(\$11,978,085)</b>	<b>(\$12,795,791)</b>

**Net Impact to Fund Balance (Revenue minus Funding of Expenditures):**

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02258)	\$1,141,607	\$3,972,670	\$4,380,121	\$4,659,896
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other - Trust Fund (06069)	(\$5,030,762)	(\$15,185,220)	(\$16,358,206)	(\$17,455,687)

**Effect on County or Other Local Revenues or Expenditures:**

HB790 will present an aggregate increased cost to State/County/City/Local governmental reimbursable employers. These employers elect to reimburse the Unemployment Insurance Trust Fund for actual benefits paid in lieu of contributions. They therefore have no contribution tax rate that can be reduced. Fiscal impact to the affected entities is estimated to be \$60,866 in FY 2008, \$244,200 in FY 2009, \$255,996 in FY 2010, and \$268,361 in FY 2011.

**Long-Range Impacts:**

The State Unemployment Insurance Trust Fund (UI) is solvent. The estimated decreased revenues to the Trust Fund are not projected to negatively impact fund solvency.

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*Sponsor's Initials*\_\_\_\_\_  
*Date*\_\_\_\_\_  
*Budget Director's Initials*\_\_\_\_\_  
*Date*